

HOUSE No. 2831

By Ms. St. Fleur of Boston, petition of Marie P. St. Fleur and others that the Department of Transitional Assistance be authorized to establish individual development bank accounts for education, job training and the purchase of residences. Children and Families.

The Commonwealth of Massachusetts

PETITION OF:

| | |
|--------------------|----------------------|
| Marie P. St. Fleur | Benjamin Swan |
| Byron Rushing | Barbara A. L'Italien |
| Gloria L. Fox | James B. Eldridge |
| James B. Leary | |

In the Year Two Thousand and Five.

AN ACT TO ESTABLISH AN INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM FOR INDIVIDUALS ELIGIBLE FOR TEMPORARY ASSISTANCE TO NEEDY FAMILIES BENEFITS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

- 1 Section 2 of Chapter 18 of the General Laws, as appearing in
- 2 the 1998 Official Edition and as amended is hereby further
- 3 amended by adding after subsection (D) a new subsection (E):—
- 4 (E). Individual Development Accounts
- 5 (a) Definitions. For purposes of this section, the following
- 6 terms shall mean:
- 7 “Account holder,” any individual who meets the income eligi-
- 8 bility requirements for the TAFDC, STAFDC and EAEDC pro-
- 9 grams as described in this chapter, and who is the owner of an
- 10 individual development account;
- 11 “Department,” the Department of Transitional Assistance,
- 12 which shall administer the program for the Commonwealth of
- 13 Massachusetts;
- 14 “Director,” the director of the Department of Transitional
- 15 Assistance;

16 “Individual development account,” a financial instrument estab-
17 lished pursuant to subsection C of this section;

18 “Individual development account reserve fund,” the fund cre-
19 ated by the Department of Transitional Assistance for the pur-
20 poses of funding the costs incurred in the administration of this
21 program and for providing matching funds for savings in indi-
22 vidual development accounts to be used for approved uses:
23 “Financial institution,” any bank, trust company, savings bank,
24 credit union or savings and loan association reserve fund that is
25 not the account holder.

26 “Program,” the individual development account program estab-
27 lish in subsections A through E of this section;

28 (b) There is hereby established within the department a pro-
29 gram to be known as the “Individual Development Account Pro-
30 gram.” The program shall provide eligible families and
31 individuals with an opportunity to establish special savings
32 accounts, which may be used for educational programs, job
33 training, home ownership, repair or improvement of a home, or
34 small business capitalization. The department shall promulgate
35 rules and regulations to implement and administer the provisions
36 of subsections A through E of this section.

37 (c) A family or individual eligible for temporary assistance
38 under this chapter may open an individual development account
39 for the purpose of accumulating and withdrawing moneys for
40 specified expenditures. The account holder may withdraw moneys
41 from the account for any of the following expenditures, according
42 to an agreement with the department:

43 (i) Educational costs for any family member eighteen years of
44 age or older;

45 (ii) Job training costs for any family member eighteen years of
46 age or older, at an accredited or licensed training program;

47 (iii) Purchase of primary residence;

48 (iv) Capitalization of a small business for any family member
49 eighteen years of age or older.

50 (d) Financial institutions approved by the department shall be
51 permitted to establish individual development accounts for partici-
52 pants, pursuant to subsections A through E of this section, with
53 approval from the department. The department shall certify that
54 such accounts have been established pursuant to the provisions of

55 subsections A through E of this section and that deposits have
56 been made by or on behalf of the account holder.

57 (e) A financial institution establishing an individual develop-
58 ment account shall;

59 (i) Keep the account in the name of the account holder;

60 (ii) Permit deposits to be made in the account by the account
61 holder;

62 (iii) Require the account to earn at least market rate of interest;
63 and

64 (iv) Permit the account holder to withdraw moneys from the
65 account, unless otherwise notified by the department.

66 (f) The department shall deposit into the account of each
67 account holder monies equal to deposits made by the account
68 holder, up to \$500 per year for each year that the account holder
69 maintains the account. The total of all deposits into an individual
70 development account in one calendar year shall not exceed ten
71 thousand dollars, including matching funds. The total balance in
72 an individual development account shall not exceed fifty thousand
73 dollars in a lifetime.

74 If moneys are withdrawn during a calendar year from an indi-
75 vidual development account by an account holder in a manner
76 other than that provided in subsection (E)(c)(i) through (iv) of this
77 section, all matching moneys for those deposits shall be forfeited.

78 All matching funds forfeited by an account holder by with-
79 drawal from the program shall be returned to the individual devel-
80 opment account reserve fund of the department.

81 In the event of an account holder's death, the account may be
82 transferred to the ownership of a contingent beneficiary. An
83 account holder shall name contingent beneficiaries at the time the
84 account is established and may change such beneficiaries at any
85 time. If the named beneficiary is deceased or otherwise cannot
86 accept the transfer, the moneys shall be transferred to the indi-
87 vidual account reserve fund of the department.

88 (g) The money deposited into the account holder's account
89 shall not be considered either income or assets for the purpose of
90 determining a recipient's eligibility for or grant amount from the
91 TANF program. The account holder shall not be penalized finan-
92 cially or have his or her grant reduced or eliminated regardless of
93 the balance in his or her account.

94 (h) Monies deposited in or withdrawn pursuant to subsection
95 (E)(c)(i) through (iv) of this section from an individual develop-
96 ment account by an account holder are exempt from state taxation
97 pursuant to chapter 62 of the Massachusetts General Laws.

98 (i) Interest earned by an individual development account is
99 exempted from state taxation.

100 (j) The commonwealth shall appropriate funds equal to one mil-
101 lion dollars per year for match and program administration funds.